

OIL AND GAS LEASE

THIS OIL AND GAS LEASE (this "Lease") is made and entered into effective as of the 16th day of 2008,
(the "Effective Date"), and is by and between PP Real Estate, Ltd., a Texas limited partnership ("Lessor"), having an
address 2100 McKinney, Suite 1760, Dallas, Texas 75201, and Vargas Energy, Ltd., a limited partnership ("Lessee"),
having an address of 4200 S. Hulen, Suite 614, Fort Worth, Texas 76109.

9 1. **Grant of Lease.** Lessor, for and in consideration of \$10.00 and other good and valuable
10 consideration, the receipt of which is hereby acknowledged, and of the covenants and agreements of Lessee hereinafter
11 contained, does hereby lease, let and demise unto Lessee, its permitted successors-in-title and assigns, without warranties
12 or covenants of title of any nature, or any other warranties or representations, except as specifically contained in this
13 Lease, the following:

a. **Lands Leased.** The lands described in Exhibit "A" hereto (the "Lands") for the purposes and with the right of exploring, investigating, drilling for and operating for, producing, treating, storing and transporting oil and gas.

19 2. **Term.** Subject to the other provisions contained in this Lease, this Lease shall remain in force for a
20 term commencing on the Effective Date and expiring at midnight local time, thirty-six (36) calendar months after the
21 Effective Date (the "Expiration Date"), which term is referred to in this Lease as the "Primary Term", and for so long
22 thereafter as oil and gas or either of them is actually being produced in commercial quantities from the Lands or lands
23 with which the Lands or any part thereof may be pooled as permitted herein and the royalties are paid thereon as herein
24 provided.

26 3. **Royalty Share.** For the purposes of this Lease, the term "Royalty Share" shall mean a fraction equal
27 to one-quarter (1/4).

29 4. **Royalties.** In respect of oil and gas which may be produced from the Lands or lands with which the
30 Lands or any part thereof may be pooled as permitted herein, as royalty, Lessee covenants and agrees that Lessee shall
31 comply with each of the following provisions:

a. **Oil Royalty.** In respect of oil (for the purposes of this Lease, the term "oil" shall also include other liquid hydrocarbons, other than as provided in Paragraph 4.c.), Lessee shall deliver to the credit of Lessor, as royalty, in the pipeline to which Lessee may connect Lessee's wells, the Royalty Share of all oil produced and saved by Lessee from the Lands or lands with which the Lands or any part thereof may be pooled as permitted herein; the delivery of such oil shall be made without deduction for any cost of drilling, testing, completing, operating, production, gathering, dehydration, compression, lease fuels, plant fuels, transportation, manufacturing, processing, treating, location differential(s), marketing of oil, gas, liquid hydrocarbons and constituent products, treating or any other post-production costs or expenses and to the credit of Lessor into the storage tanks or the pipeline to which the well or wells on the Lands may be connected. At Lessor's option, which may be exercised from time to time and at any time, Lessor may purchase any royalty oil in Lessee's possession, paying for such royalty oil the highest posted market price in the field for such oil at the wells as of the day it is run to the storage tanks or pipeline.

b. **Gas Royalty.** In respect of gas (for the purposes of this Lease, the term "gas" shall mean and include natural gas, casinghead gas and all other gaseous or vaporous substances which are hydrocarbons as the same may exist at the surface under normal atmospheric pressures and at normal ambient temperatures) produced and used off of or saved and sold from the Lands or lands with which the Lands may be pooled as permitted herein, Lessee shall pay

53 Lessor, as royalty, the Royalty Share of the amount realized by Lessee without deduction for
54 any cost of drilling, testing, completing, operating, production, gathering, dehydration,
55 compression, lease fuels, plant fuels, transportation, manufacturing, processing, treating,
56 location differential(s), marketing of oil, gas, liquid hydrocarbons and constituent products,
57 treating or any other post-production costs or expenses, however, any such costs which result
58 in enhancing the value of the marketable oil, gas or other products to receive a better price
59 may be deducted from Lessor's share of production so long as they are based on Lessee's
60 actual cost of such enhancements. However, in no event shall Lessor receive a price that is
61 less than, or more than, the price received by Lessee.
62

- 63 c. **Plant Products Royalty.** If gas is produced from the Lands or lands pooled therewith as
64 permitted herein and is thereafter processed in an absorption, extraction, casinghead,
65 stripping or other plant or plants, whether such plants are listed in the foregoing list or not (a
66 "processing plant"), then, in addition to the royalties provided for in the immediately
67 preceding Paragraph 4.b., Lessee shall pay, as royalty, and Lessor shall receive the Royalty
68 Share of the market value or the amount of all plant products extracted, separated, absorbed
69 or saved from such gas before the addition of treating or blending agents or substances not
70 derived from such gas and, in addition, Lessor shall be paid, as royalty, the Royalty Share of
71 the market value or the amount realized by Lessee from the sale of the residue gas remaining
72 after the extraction of the plant products therefrom.
73
- 74 d. **Shut In Royalty.** If Lessee discovers gas capable of being produced in paying quantities in
75 any well drilled on the Leased Premises or on land pooled with land on the Leased Premises,
76 and should Lessee be unable to produce such well because of lack of market or marketing
77 facilities or governmental restrictions or mechanical difficulties, and should there be neither
78 other current production in paying quantities of oil, gas, or other hydrocarbon substances
79 from the Leased Premises, or operations sufficient to keep this Lease in force, Lessee may at
80 any time or times during or after the primary term at Lessee's election, pay as royalty ("shut-
81 in gas well payment") a sum equal to \$10.00 per mineral acre on the acreage within the
82 drilling, spacing, pro-ration or pooled unit for the well. In like manner and upon like
83 payments being made annually on or before the expiration of the last preceding year for
84 which such shut-in royalty payment has been made, it will be considered that said well or
85 wells are producing gas in paying quantities for successive periods of one year each. The
86 proper payment of shut-in royalties under this Paragraph 4.d. shall not perpetuate this Lease
87 for a shut-in period in excess of two consecutive years.
88
- 89 e. **Costs; Place and Time of Payment.** Except as specifically provided above, all royalties
90 due under the provisions of Paragraphs 4.a., 4.b., 4.c., or 4.d. shall be paid to Lessor free and
91 clear of all costs and expenses of making such oil, gas or gas products merchantable or
92 otherwise treating or transporting the same, however, any such costs which result in
93 enhancing the value of the marketable oil, gas or other products to receive a better price may
94 be deducted from Lessor's share of production so long as they are based on Lessee's actual
95 cost of such enhancements. However, in no event shall Lessor receive a price that is less
96 than, or more than, the price received by Lessee. Lessee shall pay all royalties on or before
97 the last day of the second month succeeding the month of production; provided however,
98 royalties on the first month's production from any well shall not be due and payable until
99 120 days from the date of first production. Royalties are payable in Tarrant County, Texas.
100
- 101 f. **Division Orders.** The execution of a division order shall not be required as a condition or
102 prerequisite for royalty payments under this Lease.
103

g. Product Prices and Additional Consideration. It is expressly understood and agreed by, and is the intent of Lessor and Lessee that Lessor's royalty payments shall include the total amount realized by Lessee and its affiliates for (A) any and all products produced from the Lands and lands pooled therewith to this Lease (including any and all marketing premiums and bonuses, litigation settlements and awards), and (B) all other consideration received by Lessee in any way related to ownership, operations or association with the Lands or lands pooled therewith. Nothing contained in Paragraphs 4.a., 4.b., 4.c. and this Paragraph 4.g. shall relieve Lessee of its express fiduciary obligation to obtain the maximum possible price for Lessor's share of production, and Lessee hereby acknowledges this express obligation and duty.

h. "Lessee" and "Affiliate" Defined. For the purpose of this Lease, the term "affiliate" shall be defined as any person, entity or enterprise with which Lessee and/or its owner(s), officers, agents or representatives have ownership and/or any other relationship, which ownership may afford said Lessee and its owner(s), officers, agents, or representatives any opportunity for profit, discretion or control. For the purpose of this Lease, the term "Lessee" shall mean to include the party described as Lessee above and any and all of its affiliates.

5. Pooling and Unitization. Lessee shall have the right to pool or unitize all of the Lands with any other land, lease or leases whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Lands. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 320 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within 90 days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. A unit validly created pursuant to law, rule or regulation of any agency having jurisdiction, shall be valid and effective for all purposes of this Lease even though there may be mineral, royalty or other interests in lands within the unit which are effectively pooled or unitized. Any operations conducted on any part of such unitized land shall be considered, for all purposes, operations conducted upon the Lands under this Lease. There shall be allocated to the lands within each such unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) that proportion of the total production of unitized oil or gas or both from the unit, which the number of surface acres in such land (or in each such separate tract) covered by this Lease within the unit bears to the total number of leased and pooled acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, to be the entire production of unitized oil or gas from the land to which allocated in the same manner as though produced therefrom under the terms of this Lease. The formation of any unit hereunder which includes land not covered by this Lease shall not have the effect of exchanging or transferring any interest under this Lease (including, without limitation, any shut-in or compensatory royalty which may become payable under this Lease) between parties owning interests in Lands covered by this Lease and parties owning interests in land not covered by this Lease. Neither shall it impair the right or obligations of Lessee to release as provided in Paragraph 7., except that Lessee may not so release as to Lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to Lands within the unit. At any time while this Lease is in force, Lessee may dissolve any unit established hereunder by filing for record in the public office where this Lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provision of this Paragraph 5., a unit

156 once established hereunder shall remain in force as to the unitized leases or intervals so long as any lease subject thereto
157 shall remain in force.

158
159 6. **No Delay Rentals.** This Lease is a "paid-up" lease, and no delay rentals shall be required to be paid
160 by Lessee.

161
162 7. **Releases.**

163
164 a. **Voluntary.** Lessee may at any time and from time to time execute and file for record a
165 release or releases of this Lease as to any part or all of the Lands or of any horizon
166 thereunder, and, upon delivery of a recorded copy of same to Lessor, thereby be relieved of
167 all obligations as to the released acreage or interest. If this Lease is released as to a portion
168 of the Lands, any payments computed in accordance therewith shall thereupon be reduced in
169 the proportion that the acreage released bears to the acreage which was covered by this
170 Lease immediately prior to such release.

171
172 b. **Required.** After the cessation of Continuous Drilling Operations (hereinafter defined), all
173 of the Lands which are not included within a Retained Well Site shall be permanently
174 released from the provisions of this Lease as well as all depths from 100 feet below the
175 stratigraphic equivalent of the base of the deepest formation then producing in any Retained
176 Wellsite Tract. Lessee shall file a written release thereof in the official records of the county
177 and state identified in Exhibit "A" within 90 days of the incident thereof, and provide Lessor
178 with a recorded copy of same.

179
180 8. **Operations.** If oil or gas is not being produced in paying quantities from the Lands on the Expiration
181 Date and the Lessee is not conducting Operations on the Lands, this Lease shall immediately terminate. If oil or gas is
182 not being produced in paying quantities from the Lands on the Expiration Date, but Lessee is conducting Operations on
183 the Lands, this Lease shall remain in force and effect as to the Lands so long, and only so long, as Lessee shall conduct
184 Continuous Drilling Operations on the Lands. For the purposes of this Lease the term "Operations" shall mean
185 operations for and any of the following: actual drilling, testing, completing, reworking, recompleting, deepening,
186 plugging back or repairing of a well in search for or in an endeavor to obtain production of oil or gas. For the purposes
187 of this Lease, the term "Continuous Drilling Operations" shall mean that not more than one hundred twenty (120) days
188 shall expire between the date of completion of a well or the abandonment as a dry hole of a well (such date to be deemed
189 the earlier of (i) the filing of a Well Completion Report with any agency having jurisdiction in the premises (the
190 "Agency") or (ii) the date of which the rig is removed from the well site) and the commencement of Actual Drilling
191 Operations for the drilling of the next succeeding well to the development of the Lands to the density of maximum
192 allowable production. For the purposes of this Lease, the commencement of "Actual Drilling Operations" shall mean
193 the first operation conducted after the conductor casing has been driven, spudding operations have been completed and
194 the kelly has been raised and the first joint of drill pipe has been secured on the drill stem.

195
196 9. **Removal of Casing.** Lessee shall have the right at any time to remove all machinery and fixtures
197 placed on the Lands by Lessee, including the right to draw and remove casing.

198
199 10. **Assignments.** Lessee shall notify Lessor of any assignment or sublease of this lease, and all assignees
200 or sublessee shall be subject to all of Lessee's obligations under this Lease. Lessor shall notify Lessee of any assignment
201 of Lessor's interest in the Land covered by the Lease.

202
203 11. **Proportionate Reduction.** If this Lease covers a less interest in the oil or gas in all or any part of the
204 Lands than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), then the
205 royalties to be paid to Lessor hereunder as to the Lands, shall be paid only in the proportion which the interest therein, if
206 any, covered by this Lease, bears to the whole and undivided fee simple estate therein.

208 12. **Substances Covered.** This Lease covers only oil, gas, casinghead gas, other gaseous substances and
209 associated hydrocarbons in either a liquid or gaseous phase or state and such minerals as may be produced in association
210 with the production of oil, gas, casinghead gas, other gaseous substances and associated hydrocarbons; provided,
211 however, that nothing in this Lease shall be deemed to authorize the gasification or in situ combustion of coal or lignite,
212 and this Lease shall not be deemed to cover either coal or lignite or any other minerals, with all such other minerals
213 being reserved to the Lessor herein. Accordingly, the words "minerals," "oil" and/or "gas" when used herein shall mean
214 oil, gas and associated gaseous, liquid, or liquefiable hydrocarbons only; and all other minerals are specifically reserved
215 to Lessor. The classification of a well as either a gas well or oil well by the Agency shall be conclusive in respect of its
216 classification under the terms of this Lease.
217

218 13. **Information Required.** Upon receipt of Lessor's written consent, Lessee agrees to furnish to Lessor,
219 at the address specified on the signature page hereof, within 30 days of becoming available, unless stated otherwise
220 below, true and correct copies of the following information:
221

- 222 (1) When filed with the Agency, an official survey plat showing the location of any well proposed to
223 be drilled on the Lands or on lands pooled therewith if authorized by the Lease;
- 224 (2) Application to drill duly approved by the Agency, or if a separate drilling permit is issued, the
225 drilling permit;
- 226 (3) Written notification of commencement of any operations;
- 227 (4) A cumulative hard copy of the daily drilling and completion reports for each well within 10 days
228 of the final report or at any time upon Lessor's request;
- 229 (5) Potential test or completion report filed with the Agency;
- 230 (6) Notification of first sales of oil and/or gas from such well;
- 231 (7) Plugging record, if completed as a dry hole or if subsequently abandoned;
- 232 (8) A fully executed and recorded copy of this Lease.

233 Lessee hereby acknowledges Lessor's right of access to all operations conducted on the leased premises,
234 including the drilling rig, wireline logging truck or trailer, mud logger's truck or trailer and the right to inspect all
235 surveys, tests, cores and cuttings obtained thereby. All books, accounts and other records pertaining to operations,
236 production, transportation, sale and marketing of oil, gas or products from the Lands shall at any time during normal
237 business hours be subject to inspection and examination by Lessor and its representatives on an annual basis. Any cost,
238 harm or injury incurred by Lessor as a result of such access to operations shall be solely at Lessor's risk. All information
239 shall be held strictly confidential by Lessor.
240

241 14. **Force Majeure.** Lessee shall not be liable for any delays in Lessee's performance of any covenant or
242 condition hereunder, express or implied, or for total or partial non-performance thereof, due to force majeure. The term
243 "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including
244 acts of God and actions of the elements, acts of the public enemy, strikes, lockouts, accidents, laws, acts, rules,
245 regulations and orders of federal, state or municipal governments, or officers or agents thereof. If Lessee is required to
246 cease drilling or reworking or producing operations on the Lands (or lands properly pooled under provisions of this
247 Lease) by force majeure, then until such time as such force majeure is terminated, and for a period of 30 days after such
248 termination, each and every provision of this Lease that might operate to terminate it shall be suspended and this Lease
249 shall continue in full force and effect during such suspension period.
250

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259 15. **Notice.** All communications, notices and information required hereunder shall be in writing and shall
260 be deemed to have been properly served when received by mail, telegraph or telecopy at the addresses set forth on the
261 signature page hereto.
262

263 16. **Implied Covenants.** None of the covenants contained in this Lease shall negate or in any way limit
264 or serve in lieu of any implied covenant available to Lessor, including, without limitation, the implied covenants to
265 further develop, to market and to protect against drainage.
266

267 17. **Environmental Issues.** Lessee shall comply with all environmental laws and regulations in the
268 conduct of all drilling and producing operations on the Lands and agrees that Lessee shall not store nor dispose of toxic
269 or hazardous chemicals or wastes on the Lands. Lessee shall indemnify, defend and hold Lessor harmless from any loss
270 or damage Lessor may suffer as a result of any environmental damage or pollution which shall occur as the direct result
271 of the operations conducted by Lessee (or any other party claiming by, through or under Lessee), whether before, during
272 or after the Primary Term hereof. The indemnification obligations of Lessee under this paragraph shall expressly
273 survive the expiration or sooner termination of this Lease.
274

275 18. **Indemnification.** LESSEE AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS LESSOR FROM
276 AND AGAINST ANY AND ALL CLAIMS RESULTING FROM OR ARISING OUT OF OR IN CONNECTION WITH OPERATIONS
277 OF OR FOR LESSEE HEREUNDER, AND FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, SUITS, LIABILITIES,
278 COSTS AND EXPENSES INCURRED BY LESSOR AND ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS LEASE OR THE
279 OPERATIONS OF LESSEE (OR ANYONE CLAIMING BY, THROUGH OR UNDER LESSEE) UNDER OR PURSUANT TO THIS
280 LEASE. WITHOUT LIMITING THE FOREGOING, EACH ASSIGNEE CLAIMING HEREUNDER AGREES TO INDEMNIFY,
281 DEFEND AND HOLD HARMLESS LESSOR FROM AND AGAINST ANY AND ALL CLAIMS DEMANDS, SUITS, LIABILITIES,
282 COSTS AND EXPENSES RESULTING FROM OR ARISING OUT OF OR IN CONNECTION WITH OPERATIONS OF OR FOR
283 SUCH ASSIGNEE HEREUNDER (AND ANYONE CLAIMING BY, THROUGH OR UNDER SUCH ASSIGNEE) AND SHALL
284 INCLUDE CLAIMS BASED UPON THE NEGLIGENCE OF LESSOR TO THE EXTENT (BUT NO FURTHER) THAT SUCH
285 NEGLIGENCE IS ALLEGED OR DETERMINED BASED UPON A FAILURE BY LESSOR TO SUPERVISE OR MONITOR
286 LESSEE'S ACTIVITIES OR THAT PERMITTING OIL AND GAS EXPLORATION OR PRODUCTION IS INHERENTLY
287 DANGEROUS. THE INDEMNIFICATION OBLIGATIONS OF LESSEE (AND EACH ASSIGNEE) UNDER THIS PARAGRAPH
288 SHALL EXPRESSLY SURVIVE THE EXPIRATION OR SOONER TERMINATION OF THIS LEASE.
289

290 19. **Remedy for Breach.** The parties hereto agree that in the event of Lessee's breach, default or non-
291 performance (collectively herein called "Breach") of Paragraphs 4.a., 4.b., 4.c., 4.d., 4.e., and 8. of the Lease, then the
292 remedy for such Breach shall be the automatic termination of this Lease or such other remedy as is specified in each
293 such paragraph.
294

295 20. **No Surface Rights.** Notwithstanding anything contained herein to the contrary, Lessee, its
296 successors and assigns, shall have NO right to use, or access to, or right of ingress or egress in, over or across, the
297 surface of the Lands for any purposes whatsoever, and Lessee does hereby expressly release and waive, on behalf of
298 Lessee and Lessee's successors and assigns, all of Lessee's rights of every kind and character to enter upon and use
299 the surface of the Lands for any purpose or to penetrate the Lands at a depth of less than 3,000 feet from the surface
300 of the Lands; but Lessee, its successors and assigns, shall have the right to exploit, develop and produce oil and gas
301 located in and under the Lands by means of directional or horizontal drilling and/or by unit operations conducted
302 from surface locations outside of the Lands so long as each penetration of the Lands is at a depth of 3,000 feet or
303 greater measured from the surface of the Lands. Lessee covenants that no surface damage shall take place to the
304 Lands as a result of Lessee's sub-surface drilling access.
305

306 21.
307 22. **Insurance.** At all times this Lease remains in effect, Lessee shall maintain in full force and effect
308 the insurance set forth on Schedule 1 attached hereto.
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310

[signature page follows]

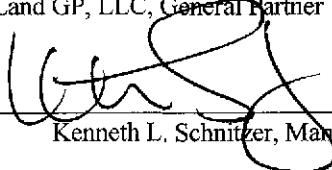
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313
314 IN WITNESS WHEREOF, this Lease is executed on the date of the acknowledgments attached hereto, but
315 shall be effective as of the Effective Date recited above. This Lease shall not be binding on any party until executed by
316 all parties hereto.
317
318

319 **LESSOR:** PP Real Estate, Ltd.
320 2100 McKinney, Suite 1760
321 Dallas, Texas 75201
322

323 Telephone Number: 214-443-8211
324 Telecopy Number: 214-443-8200
325

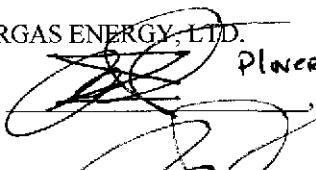
326 PP REAL ESTATE, LTD.
327

328 By: PP Land GP, LLC, General Partner
329

330 By: 
331 Kenneth L. Schnitzer, Manager
332

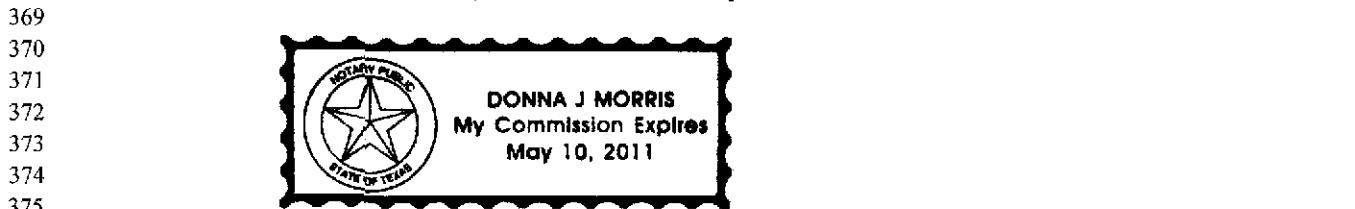
333 **LESSEE:** Vargas Energy, Ltd.
334 4200 S. Hulen, Suite 614
335 Fort Worth, Texas 76109
336

337 Telephone No.: (817) 731-8646
338 Telecopy No.: (817) 731-7398
339

340 VARGAS ENERGY, LTD. *Placer Production Company, LLC*
341 By: 
342 , General Partner
343
344 By: 
345 Name: CRAWFORD EDWARDS
346 Title: PRESIDENT
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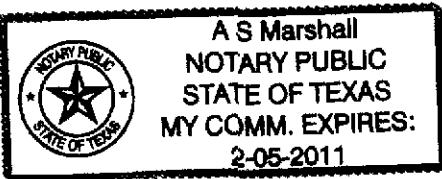
353
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356 THE STATE OF TEXAS §
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358 COUNTY OF DALLAS §
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361 The foregoing instrument was acknowledged before me this 21st day of July,
362 2008, by Kenneth L. Schnitzer, Manager of PP Land GP, LLC, general partner of PP Real Estate, Ltd., a Texas limited
363 partnership, on behalf of said limited partnership.

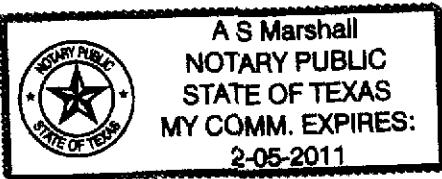
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367 My Commission Expires: 5-10-11 
368 Notary Public in and for the State of Texas



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377 STATE OF Texas §
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379 COUNTY OF Inman §
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381
382 The foregoing instrument was acknowledged before me this 22 day of July, 2008, by
383 Crawford Edwards, as president
384 of Vavor Production Co, LLC, a limited liability co, general partner of Vargas Energy,
385 Ltd., a limited partnership, on behalf of said limited partnership.

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389 My Commission Expires: 2-5-2011 
390 Notary Public in and for the State of TX



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EXHIBIT "A"

PROPERTY DESCRIPTION

Attached to and made a part of that certain Oil and Gas Lease dated July 16, 2008 by and between PP Real Estate, Ltd. ("Lessor") and Vargas Energy, Ltd., ("Lessee"), covering the following described land in Tarrant County, Texas.

LOT 4R, IN BLOCK 7, OF CITY VIEW ADDITION, AN ADDITION TO THE CITY OF FORT WORTH, TARRANT COUNTY, TEXAS, ACCORDING TO THE MAP THEREOF RECORDED IN CABINET A, SLIDE 9485, OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS.

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SCHEDULE 1
TO OIL AND GAS LEASE

410 **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of
411 its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others,
412 naming Lessor and related individuals and entities designated by Lessor as additional insureds. The policies shall
413 include commercial general liability, policy of insurance for bodily injury and property damage, blowout and loss of
414 well coverage, and coverage for any damages to the environment, including coverage for the cost of clean up and
415 surface remediation. The coverage shall be in the minimum amount of \$5,000,000 per occurrence, and shall name
416 Lessor as an additional insured through endorsement in form acceptable to Lessor. Lessee shall furnish a certificate
417 Accord Form 25 from the issuing insurance company or companies evidencing the coverage. All insurance
418 requirements above may be satisfied by a combination of self-insurance primary and excess policies; provided, that
419 no self-insurance or self insured retention may exceed \$50,000 unless Lessee has and maintains a net worth greater
420 than or equal to \$50,000,000.

Return to:
Holland Acquisitions
309 W 7th Street, Suite 300
Fort Worth TX 76102



HOLLAND ACQUISITIONS
309 W 7TH ST, STE 300

FT WORTH TX 76102

Submitter: HOLLAND ACQUISITIONS INC

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 07/30/2008 03:49 PM
Instrument #: D208297171
LSE 12 PGS \$56.00

By: _____



D208297171

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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